

08/09

LOOKING  
FORWARD

Manitoba Gaming  
Control Commission

Manitoba Gaming Control Commission



September 30, 2009

Honourable David Chomiak  
Minister charged with the administration of The Gaming Control Act  
104 Legislative Building  
450 Broadway  
Winnipeg, MB  
R3C 0V8

Dear Minister Chomiak:

I am honoured to present you with the annual report of the Manitoba Gaming Control Commission for the fiscal year ended March 31, 2009.

Respectfully,

A handwritten signature in dark ink, appearing to be 'D. Dziewit', written in a cursive style.

**Darlene Dziewit**  
CHAIRPERSON

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## Message from the Chairperson

The complexities and scope of gaming activities in Manitoba require the regulator to balance multiple perspectives on gaming, including legislative obligations, business interests, emerging research, responsible gambling, market demands and cultural values.

When the Manitoba Gaming Control Commission (MGCC) was first established in 1997, the experience and expertise of most employees focused on charitable events and enforcement activities, and the challenge was to begin to build expertise and stakeholder confidence as the new regulatory authority for gaming employee, equipment and supplier registrations. The MGCC has continued its strong focus on charitable gaming and has successfully integrated its registration mandate into Manitoba's regulatory regime, but the realities of player choice and preferences, legislative amendments in 2005 and the changing pace and face of technologies have continued to push the public's expectation for sound gaming regulation that is independent of market shifts and industry priorities.

The complexities and scope of gaming activities in Manitoba require the regulator to balance multiple perspectives on gaming, including legislative obligations, business interests, emerging research, responsible gambling, market demands and cultural values. It was within this forward-focused context that my Board colleagues and I began the process, in spring 2008, to establish the new strategic plan that focuses on these aims:

- Financial sustainability
- Fiscal accountability
- Stakeholder satisfaction
- Effective communication and reporting mechanisms
- Client-focused services and programs
- Highly skilled employees with cross-functional skills and abilities
- Effective quality control measures for regulation and control
- Measuring of action steps towards achievement of strategic goals
- Anticipating and responding to technological changes
- Efficient and effective internal processes

Appreciating the importance of these aims, the profile of such a plan and its foundation as an accountability tool, we have shared our vision for the future by including our strategic direction and goals within this report beginning on page 8. As the first step of implementation of our strategic plan, my colleagues and I embarked in early 2009 upon a full review of our governance practices. With an eye to refining and refocusing our role as MGCC's strategic leaders, we paid particular attention to accountability, scope of decision-making and an examination of our working committee structure. At the same time, management began its own review of operational practices and procedures to further our common mandate of ensuring the honesty and integrity of gaming in Manitoba.

Looking forward, we anticipate that our strategic commitments, coupled with our specialized knowledge and operational expertise, will set the stage for the Board, management and staff to continue to meet the traditional regulatory obligations for registration, licensing and compliance and to advance our less-typical public education, research and responsible gambling initiatives. Combined, all of this work marks the MGCC as a leader in Canada and abroad and, on behalf of my Board colleagues, I thank management and staff for their efforts and contributions to our success. I look forward to our continued collaborative work in service to Manitobans.

Yours truly,



**Darlene Dziewit**  
CHAIRPERSON

## Remarks from the Executive Director

Year after year MGCC staff continue to employ practical regulation to deliver gaming integrity and compliance services that maintain honesty and public confidence. Our employees' knowledge and experience grows each year as we seek continuous improvement and prepare for new challenges.

Annual reporting is a key accountability tool for any organization, particularly a public organization that ensures the honesty and integrity of gambling operations. In addition to being a legislatively-mandated transparency mechanism that accounts for a full year of operations, the Manitoba Gaming Control Commission's (MGCC) annual report sets the stage for acknowledging emerging trends and new responsibilities. To report on our progress, each unit and department tracks, reviews and tallies its achievements and challenges. In essence, we inventory the accomplishments that become the foundation for our future endeavours.

Each year, we present our results from a variety of perspectives that together illustrate the scope of our achievements. The report for 2008/09 features:

- our Corporate Performance Results, which measure strategic accomplishments against goals and priorities - a little like a report card;
- an Operational Overview, which describes key operational and corporate service accomplishments; and
- our Financial Statements for the year ended March 31, 2009.

This report also highlights some unique initiatives. For example, while we don't normally report on individual charitable events, we couldn't resist featuring "The Ultimate Freeze Out" Texas Hold'em poker event, held outdoors... in January (page 20). I would also draw your attention to our new public education campaign, which used headlines like "Busted" and "Game Over" to encourage Manitobans to stick to spending limits when gambling (page 30). And recognizing clients' increasing comfort with online resources, we use the icon below throughout the report to emphasize the wealth of additional information available to readers on our new website.



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Year after year, MGCC staff continue to employ practical regulation to deliver gaming integrity and compliance services that maintain honesty and public confidence. In 2008/09, we helped nearly 1,400 charitable organizations raise over \$70 million in gross profits, enabled the employment of over 2,800 people across the province and confirmed the integrity of games offered through 516 VLT siteholders and at the casinos operated by First Nation consortiums at Opaskwayak Cree Nation and Brokenhead Ojibway First Nation and by Manitoba Lotteries Corporation in Winnipeg.

As we continue to push the boundaries of traditional regulatory responsibilities, we also advanced our public interest mandate through independent and collaborative research and by launching Manitoba's first studentship to fund independent graduate-level research to further knowledge about gambling regulation. Looking to the future, and anticipating the retirement of long-service employees over the next several years, we also began to assure continued organizational stability by strategically facilitating knowledge transfer and employees' professional and career development. These are just a few examples that demonstrate the MGCC's ability to adapt and take the lead in response to emerging issues, while always prioritizing our commitment to our very diverse groups of clients and stakeholders.

Finally, I am pleased to note that our employees' knowledge and experience grows each year as we seek continuous improvement and prepare for new challenges. It is gratifying - and reflects well on Manitoba's gaming regime - that our advice and expertise is so often sought by colleagues from other jurisdictions and that our staff hold leadership positions in organizations as diverse as the North American Gaming Regulators Association and the Canadian Partnership for Responsible Gambling. Manitobans may be assured that we will continue to strive for balance and excellence in meeting our regulatory obligations in the years to come.

**F.J.O. (Rick) Josephson**  
EXECUTIVE DIRECTOR

# About the Manitoba Gaming Control Commission

## Vision

To regulate and control gaming activity in Manitoba by protecting the public interest, being proactive and responsive to Manitoba's evolving gaming environment and working in consultation with our clients, stakeholders and partners to establish fair, balanced and responsible gaming practices.

## Mission

To ensure that gaming activity is conducted honestly, with integrity and in the public interest. We achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

## Our Core Values

The Manitoba Gaming Control Commission (MGCC) is committed to delivering services and programs based on the following core values and standards of conduct:

- INTEGRITY and RESPECT are the fundamental cornerstones of our vision and mission, and will form the basis for all our actions and decisions.
- By seeking a BALANCED PERSPECTIVE we reflect the complexity of Manitoba's gaming environment.
- By ensuring ACCOUNTABILITY, we protect the public interest.
- We are ADAPTIVE by anticipating and responding to the current and emerging issues in the gaming environment that impact the honesty and integrity of gaming activity in Manitoba.
- We are INDEPENDENT of gaming operations and work to ensure PUBLIC CONFIDENCE in the integrity of all gaming activities within the province of Manitoba.

## Authority and Responsibilities

The MGCC derives its authority and responsibilities from The Gaming Control Act and Regulation, as permitted by the Criminal Code (Canada). Under this federal legislation, each province establishes its own regulatory and operating regimes within the prohibitions and permissions defined by Sections 206 and 207 and within the context and scope of the gaming environment. In Manitoba, the MGCC is the primary gambling regulatory body responsible for a range of traditional oversight responsibilities for charitable, Video Lottery Terminal (VLT) and casino gaming, and for less traditional responsibilities including social policy research and consumer education.



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With the aims of ensuring that gaming activities are conducted honestly, with integrity and in the public interest, the MGCC:

- licenses charitable gaming activities, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas Hold'em tournaments;
- registers First Nations casino operators, Manitoba Lotteries Corporation (MLC) and First Nations casino employees, gaming suppliers, gaming equipment and VLT siteholders;
- investigates and makes orders related to gaming patron disputes;
- inspects and audits gaming activities;
- ensures all gaming has technical integrity;
- monitors and enforces compliance with gaming-related legislation;
- conducts independent and joint research projects;
- performs responsible gambling education and policy oversight functions; and
- provides policy advice to the Minister charged with the administration of The Gaming Control Act (the Minister).

The MGCC is guided by a Board of Commissioners who report to the Minister. Operational activities are carried out by 52 employees, led by the Executive Director.

## Finances and Resources

The MGCC funds its own activities from service-based licence and registration fees, as authorized by The Gaming Control Act and established via regulation. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund. The Gaming Control Act permits the MGCC to establish its own bank account and operating line of credit. The annual business plan, which details operational objectives and budget estimates, is approved by the Board of Commissioners, reviewed by the Minister and approved by the Minister of Finance. Complete financial statements for the year ended March 31, 2009, are presented in this report beginning on page 33.

## Appeals and Disputes

The Gaming Control Act directs the Board of Commissioners to conduct hearings and make rulings on appeals of the Executive Director's decisions and orders. In this quasi-judicial role, a quorum of Commissioners considers all evidence presented by both parties before making a ruling. The MGCC's hearings are open to the public, although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented. Decisions are publicly available. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Gaming Control Act. One hearing was conducted in 2008/09; another hearing, pending at the end of 2007/08 was discontinued due to a withdrawal of the original hearing request by the appellant.



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## Clients and Stakeholders

Our clients and stakeholders include:

- Charitable licence holders
- First Nations gaming commissions
- Manitoba Lotteries Corporation
- Aseneskak Casino
- South Beach Casino
- VLT siteholders
- Gaming suppliers
- Patron complainants
- Hearing appellants
- Minister charged with the administration of The Gaming Control Act
- Minister charged with the administration of The Manitoba Lotteries Corporation Act
- Manitoba Hotel Association
- Manitoba Restaurant Association
- Future gaming operators, employers and gaming authorities
- Gaming consumers
- The general public

## Our Strategic Plan: 2008 to 2013

The MGCC was created in 1997 as an independent organization mandated to ensure that gaming activity in Manitoba is conducted honestly, with integrity and in the public interest. While the MGCC has been operating for just over 11 years, the environment in which we operate has evolved significantly. In the wider world, local, national and international events have led to increased expectations for accountability and transparency by public and private sector bodies, and changing demographics and new technologies have shifted player interests from bingo and breakopen tickets to electronic games. This same demographic shift is also influencing the workplace, as it prepares for the retirement of the Baby Boomer generation and knowledge transfer to the Generation Xers and Millennials. Internally, the MGCC is sensitive to the implications of these dynamics for our operations and the need to act strategically to meet our legislative obligations and Manitobans' expectations for sound gaming regulation.

It was within this context that the Board of Commissioners identified the need to develop a new strategic plan to guide the MGCC through the next five years. In initiating this project, the Commissioners were mindful of the need to seek input from those we regulate and serve as well as from those with whom we collaborate. The strategic plan – including its vision and mission statements, core values and commitments – is the culmination of a process that included extensive consultation with clients and stakeholders, including charitable licence holders, First Nations, Government, justice, police services, and special interest groups directly or indirectly impacted by gaming activity in Manitoba, as well as the Commissioners, management and staff.



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Search: **strategic plan**

Through these discussions and deliberations, the MGCC has formalized our commitment to ensure our services and programs will:

- Be responsive to client, stakeholder and public needs;
- Continuously improve to meet the growing technological changes and demands;
- Promote and encourage fair and responsible gaming practices and programs;
- Ensure integrity, fairness and accountability in all gaming activities in the province of Manitoba;
- Provide a balanced approach and perspective in the delivery of our services, programs and policy advice, while reflecting the complexity of Manitoba's gaming environment;
- Be responsive and adaptive to the changing demands and issues within the gaming industry; and
- Ensure respectful and equitable treatment of clients, stakeholders and the general public in regard to gaming regulation, queries, complaints, disputes and policy advice.

Further, our culture and service excellence will be reflected in:

- Adherence to our core values;
- Consistently striving to achieve our vision, mission and goals;
- Building a culture of commitment and service excellence; and
- Our openness, accountability and transparency.

The MGCC provides a balanced approach and perspective in the delivery of our services, programs and policy advice, while reflecting the complexity of Manitoba's gaming environment.

## STRATEGIC DIRECTION AND GOALS: 2008-2013

To translate our vision, mission, commitments and values into action, the MGCC identified three strategic directions: leader, effective and communicative, and developed strategic goals for each.

### Leader

To ensure Manitoba is at the forefront of gaming integrity and regulation to serve the public interest.

#### STRATEGIC GOALS

- Ensure that gaming providers meet the MGCC's compliance and enforcement mandate.
- Develop a regulatory framework to prepare for and respond to emerging technologies.
- Develop the MGCC's capacity to build and maintain knowledge about our stakeholders and their interest to ensure gaming integrity.
- Establish a governance model that supports the MGCC's mandate and provides clarity in roles and accountability.

### Effective

To ensure appropriate resources are available to deliver services and programs, and to employ those resources efficiently and effectively.

#### STRATEGIC GOALS

- Develop internal policies and processes to ensure consistency, fairness and accountability.
- Develop a financial model that ensures financial sustainability required to meet existing and future programming requirements.

- Develop a succession plan that meets the organization's future needs.
- Allocate appropriate resources, training and education to effectively regulate current and emerging gaming in Manitoba.
- Implement an integrated work plan, budget and reporting process to ensure effective resource planning and use.
- Implement a performance management system that encourages and supports the effective delivery of services and programs.

### Communicative

To ensure effective and appropriate communication to and amongst the Board of Commissioners, employees, clients, stakeholders, partners and the general public.

#### STRATEGIC GOALS

- Increase awareness and understanding by the public and stakeholders of the roles and responsibilities of the MGCC.
- Develop communication strategies to ensure clear and consistent communication to stakeholders, partners, Board of Commissioners and staff.
- Develop practices and processes that encourage stakeholder consultation and input.

The MGCC's strategic plan is a roadmap for the next three to five years. It is meant to be a "living document" that is regularly revisited and used as the touchstone for all future Board of Commissioners' and operational goals, directives and decisions. The MGCC will ensure accountability by documenting our success in achieving our new strategic commitments in our annual report, beginning in 2009/10.

# Organizational Structure

Minister charged with the administration  
of The Gaming Control Act

Board of Commissioners

Executive Director

		Chief Operating Officer	Director of Research and Communications
Gaming Integrity	Gaming Compliance	Corporate Services	Research and Communications
Licensing	Audit	Finance	Human Resources
Registration	Compliance	Information Technology	
Technical Integrity	Regulatory Affairs		

## Interagency Cooperation

Liaising with external organizations permits the MGCC to benefit from others' experience and to share its own expertise. The MGCC cooperates frequently with numerous agencies worldwide to share information and undertake initiatives related to gaming regulation. These organizations include:

- Aboriginal Finance Officers Association
- Addictions Foundation of Manitoba
- Alberta Gaming Research Institute
- Assembly of Manitoba Chiefs
- Association of Certified Forensic Investigators
- Canada Revenue Agency
- Canadian Centre on Substance Abuse
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- Canadian Partnership for Responsible Gambling
- Council on Licensure, Enforcement and Regulation
- City of Winnipeg Licensing Department
- Criminal Intelligence Service (Canada and Manitoba)
- Gaming Laboratories International
- Greater Winnipeg Community Centres Council
- Indigenous Gaming Regulators
- Insurance Council of Manitoba
- International Association of Gaming Regulators
- International Law Enforcement Intelligence Association
- International Masters of Gaming Law
- Manitoba Association of Chiefs of Police
- Manitoba Association of Municipalities
- Manitoba Council of Administrative Tribunals
- Manitoba Department of Justice
- Manitoba Hotel Association
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Protective Officers Association
- Manitoba Public Insurance
- Manitoba Restaurant and Food Services Association
- Midwest Gaming Investigators and Regulators
- Municipal policing authorities
- North American Gaming Regulators Association and member jurisdictions/agencies
- Ontario Problem Gambling Research Centre
- Ontario Provincial Police
- Responsible Gambling Council (Ontario)
- Royal Canadian Mounted Police
- Sûreté du Québec
- Technical Systems Testing
- U.S. Customs and Border Protection
- University of Manitoba, Department of Psychology
- Western Canada Lottery Corporation
- Winnipeg Police Service and municipal policing agencies

# Corporate Performance Results: 2008/09

This section presents the Manitoba Gaming Control Commission's (MGCC) overall successes for the 2008/09 fiscal year by assessing our strategic accomplishments from the perspective of our four distinct goals: meeting our legislative mandate, achieving service excellence, advancing our human resources and being financially accountable. Measuring our performance against our priorities enhances accountability and drives us to refine our planning and resources assessment so that all corporate activities contribute to achieving our goals.

## GOAL #1

### Legislative Mandate

Regulate and control gaming activity in the province with the aims of ensuring that it is conducted honestly, with integrity and in the public interest.

### Priorities

- Develop and deliver innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activities.
- Advance our public interest mandate, beyond our traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications, research and responsible gaming initiatives.
- Balance the opinions and interests of our stakeholders and partners within the context of reasoned and sound regulation and control.

### Strategic Accomplishments

- Assessed, confirmed, monitored and enforced the honesty and integrity of gaming events, employees and equipment, based on legislative and regulatory conditions, operational and unit standards and licensing and registration terms and conditions. This was achieved through formal application, assessment and approval processes; comprehensive audit and inspection programs; proactive and responsive investigations; client training and support; and interagency collaboration.
- The Office of the Auditor General of Manitoba conducted an audit of the MGCC's compliance with the provisions of legislative and related authorities; a clear audit opinion was issued.
- Developed detailed legislative amendment proposals in anticipation of the spring 2009 legislative calendar. The proposed amendments would strengthen regulatory oversight for lottery ticket gaming and lottery ticket retailers in Manitoba.
- Advanced gambling regulation and control through a range of initiatives in conjunction with the Royal Canadian Mounted Police, the Winnipeg Police Service and other policing agencies. Highlights of this work included: an updated Memorandum of Understanding to continue access to criminal records through the Canadian Police Information Centre; collaborative training on illegal gambling and crisis communications; and Internet gambling investigative techniques training.
- Launched a new province-wide public education campaign encouraging Manitobans to set limits on money spent on gambling; evaluation results show 76% of Manitobans always set a limit, an increase of 12% from prior to the campaign.
- Integrated stakeholder input into policy deliberations on proposed legislative amendments, annual raffle limits, research and public education initiatives, First Nations gaming and refinements to the Texas Hold'em Poker Tournament Terms and Conditions.

## GOAL #2

### Service Excellence

Provide excellent service to our clients by championing fair, balanced and responsible gaming policy and inspiring public confidence in the integrity of gaming.

#### Priorities

- Develop and deliver innovative, streamlined and consistent gaming integrity and compliance programs and products to assure the integrity, fairness and accountability of gaming activity in the province.
- Develop and deliver corporate and administrative services, including finance, information technology, communications, research and planning services.
- Build stronger relationships with clients.

#### Strategic Accomplishments

- Confirmed the honesty and integrity of gaming events, employees, suppliers and operators through licensing, technical integrity and registration functions. This resulted in:  
482 game integrity approvals;  
1,400 active charitable licences;  
and 3,367 registrations for different registrant categories, including individuals and entities.
- Strengthened relationships with partners and stakeholders and increased awareness and understanding of the benefits of a strong regulatory environment via:
  - development and launch of a new client-focused website and enhanced online application and reporting services;
  - expanded regional services with the establishment of an office and a full-time inspector position in The Pas;
  - increased client knowledge and capacity for compliance through 509 formal client training programs and 1,508 on-site compliance inspections; and
  - collaborative research with provincial, national and international partners.
- Implemented a comprehensive review and assessment of corporate and unit policies, procedures and standards to identify strengths, gaps and opportunities for improvement in client service, knowledge transfer and consistency. At March 31, this initiative was scheduled for completion in mid-2009.
- Supported and enabled the delivery of services and programs to clients and stakeholders through a range of corporate services in the areas of information technology, finance and administration, research, communications, human resources and planning.

## GOAL #3

### Human Resources Advancement

Maximize performance and productivity by encouraging and supporting a positive and professional work environment.

#### Priorities

- Create and manage a comprehensive human resources service to support the MGCC's strategic and operational goals.
- Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.
- Strengthen our succession planning capacity through creative career development opportunities within our current human resources pool.

#### Strategic Accomplishments

- Provided a full suite of on-site human resources services to guide and support strong employee-management relations, meet collective agreement and labour legislation commitments, sustain operational activities and achieve corporate and operational goals.
- Fortified the MGCC's succession planning efforts through refinement of the MGCC's performance review structure, formalized learning plans, professional growth and training, policy development and implementation, recruitment, mentoring, cross-training and specialized sector training.
- Facilitated professional and skills development through over 2,700 hours of formal training related to public sector management; budget and financial management; crisis communications; Internet investigations; casino inspections; and money laundering and fraud. As well, the MGCC supported staff participation in programs to maintain and achieve professional and academic designations.

## GOAL #4

### Financial Accountability

Confirm and demonstrate fiscal responsibility, financial accountability and operational sustainability through the appropriate management and stewardship of financial and capital assets and resources.

#### Priorities

- Ensure financial accountability and transparency through corporate and operational planning, monitoring and reporting activities.
- Maintain internal control standards in keeping with established financial policies and procedures.
- Oversee financial, corporate and human resources to maximize operations and enhance client service.

#### Strategic Accomplishments

- The Office of the Auditor General of Manitoba issued a clear audit opinion for the MGCC's annual financial audit.
- Financial management and reporting practices are based on Generally Accepted Accounting Principles and Canadian Institute of Chartered Accountants' Standards.
- Quarterly financial statements were reviewed and analyzed by the Audit Committee and approved by the Board of Commissioners.
- The 2007/08 annual report, including audited financial statements, was issued in fall 2008.
- Submitted the 2009/10 business plan to the Board of Commissioners and Treasury Board for approval. Approval by the Board of Commissioners was granted in March 2009; Treasury Board approval is pending as of year end.
- Enhanced general accountability and budget management skills by providing annotated monthly financial statements to senior managers.
- Maximized revenue and financial sustainability via daily review and management of investment funds.

# Operational Overview

The following sections describe the Manitoba Gaming Control Commission's (MGCC) departmental goals and key accomplishments for the 2008/09 fiscal year. Each department is portrayed individually, but as demonstrated in the preceding corporate performance results, interdepartmental cooperation and collaboration are key elements in achieving success.

## Gaming Integrity

### Licensing • Registration • Technical Integrity

The Gaming Control Act establishes the MGCC to ensure that gaming activity in Manitoba is conducted honestly, with integrity and in the public interest. The foundation of the public's confidence in this regard begins by determining eligibility of prospective licence holders, registrants and gaming schemes based on federal and provincial legislation and by the application of comprehensive and consistent regulation, tests, standards, terms and conditions.

This foundation is established by the Gaming Integrity Unit, which is comprised of the Licensing, Registration and Technical Integrity Departments. These departments are responsible for:

- Authorizing the conduct of gaming events by eligible charitable and religious organizations;
- Registering gaming industry employees, suppliers, operators and Video Lottery Terminal (VLT) siteholders; and
- Approving the technical integrity of all gaming activities conducted and managed by charitable event licence holders and Manitoba Lotteries Corporation (MLC), including First Nations casinos.

The licensing, registration and technical integrity confirmation and approval processes set the terms and conditions for each licence, registration and approval. This creates the foundation for compliance monitoring within this unit and by the Gaming Compliance Unit. The following narrative highlights the Gaming Integrity Unit's key initiatives and programs.

Interdepartmental cooperation and collaboration  
are key elements in achieving success.

## The Community Raffle Program: A Popular Option for Smaller Events

The Licensing Department remained committed to refining and improving its procedures and policies to ease workflow and information-sharing and to uphold high client service standards. The results of this approach are best highlighted by the Community Raffle Program, which marked its first full year of service to raffle licence applicants planning events with anticipated revenue lower than \$5,000.

The Community Raffle Program offers a streamlined application and assessment process, which allows the department to speed overall client service by refocusing resources on more complex gaming activities and applications. Approximately 63% of all MGCC raffle licences were issued under this program in 2008/09.

### Active Licensed Events: 2008/09

There were a total of 1,399 active charitable gaming licences in 2008/09.

- 983 charitable gaming licence applications were reviewed and approved during the fiscal year for 799 different charitable organizations; 147 were first-time applicants.
  - 259 licences were for ongoing events: 129 bingo, 67 breakopen, 15 media bingo, 20 raffle and 28 Texas Hold'em poker tournaments; and
  - 724 licences were for limited series or single events: 54 bingo, 28 breakopen, 575 raffle, 43 Texas Hold'em poker tournaments and 24 other events including Monte Carlo, sports draft and Calcutta licences.
- There were also 416 active licences that are expected to renew their three-year licences between April 1, 2008 and March 31, 2010: 219 bingo, 171 breakopen, 11 media bingo and 15 raffle.
- Approximately 1,000 licence amendment requests were processed in 2008/09 to support licence holders' need to adapt programs in response to patron interests and market changes. Amendments may be granted to implement changes to: game programs, prizes and rules; event location, date or time; or use of proceeds to assist an organization to meet their community's greatest needs. The Licensing Department receives an average of 20 licence amendment requests per week, and places a high priority on processing them.

## LICENSING

This department assesses the eligibility and integrity of charitable and religious organizations to conduct and manage specific events as authorized by Section 207(1)(b) of the Criminal Code (Canada), The Gaming Control Act and Regulation, and as established by terms and conditions for each licensed event. This regulatory structure enables the members of the department to confirm applicants' honesty and integrity through a comprehensive application and approval process. Assurance procedures begin with scrutinizing the organization and its proposed event, which includes a thorough evaluation of eligibility, event operations, prizes and the intended use of proceeds.

Within the context of this structure, the members of the department provide information and assistance to prospective applicants and licence holders. Department staff also share advice and experience with colleagues in other departments and other jurisdictions throughout North America about licensing policies, standards and processes. Each year, the members of this department work with approximately 1,200 organizations that raise money to benefit Manitobans and their communities in areas as diverse as sport and recreation, education, culture, health and the environment.

During 2008/09, the Licensing Department continued to focus on assessing tasks, processes, client service tracking and reporting mechanisms to maximize and refine resources, productivity and skill allocations. This department also continued its leadership on new opportunities for charitable gaming regulation and authorization with the completion of a full review of the terms and conditions for charitable Texas Hold'em poker tournaments. This review was initiated in early 2008 to assess the effectiveness of the regulatory structure for these events, which were authorized first in early 2007. The review was conducted over a period of several months under the guidance of the Charitable Gaming Committee of the Board of Commissioners. The process, which included seeking input from licence holders and other stakeholders, identified and recommended minor changes, which came into effect as part of the new terms and conditions on November 1, 2008.



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## REGISTRATION

All gaming employees, suppliers of gaming products and services, VLT siteholders and gaming operators must meet the standards of honesty and integrity as mandated by The Gaming Control Act. This aspect of Manitoba's regulatory regime prevents those who might be a detriment to the honesty and integrity of gaming activities from participating as industry employees, suppliers or operators. Based on legislation, regulation and specific terms and conditions for each category of registrant, the members of the Registration Department investigate applicants, assess eligibility and issue registration. Staff also test and confirm ongoing compliance via annual review and renewal investigations. The MGCC's registration investigators are authorized to conduct criminal record, credit and financial history checks on individuals and business applicants seeking registration. Registration investigations involving applicants from outside of Manitoba often require out-of-province travel, the costs of which are covered by the applicants.

### Employees

Department staff conduct background investigations, which include criminal record and credit checks, on all prospective and current employees of MLC, Aseneskak Casino and South Beach Casino. Ongoing checks are conducted routinely and upon receiving information that may call into question a registrant's suitability as a gaming employee. The department also monitors adherence to the terms and conditions of each registration to confirm ongoing compliance with the established standards of honesty and integrity.

### Suppliers

Due-diligence investigations are conducted on all suppliers of gaming products and services. The scope of each investigation is based on the class of gaming products, regardless of the purchaser or the value of the product or services. Individuals or companies that assist a gaming operator in carrying out its obligations or assist a licence holder in the conduct or management of its licensed lottery scheme are considered suppliers of gaming management services, and so are also subject to due-diligence investigations.

## VLT Siteholders and Gaming Operators

Gaming operators are businesses such as casinos that own premises in which provincial gaming, including slot machine operations and table games, is conducted and managed by MLC. At present, Aseneskak Casino and South Beach Casino are the two entities in this category; both casinos are operated by First Nations partnerships under agreement with the Province of Manitoba and MLC. Gaming operators are subject to legislated registration requirements, as are commercial businesses, veterans' clubs and First Nations that operate VLTs on their premises. Once the MLC enters into agreements with these entities based on business practice and market conditions, the MGCC examines the business entity or association of persons approved for VLT or gaming operations using a combination of investigative techniques and tools based on the tenets of honesty and integrity.

In 2008/09, the Registration Department collaborated with the MGCC's Information Technology Department to enhance investigative techniques and capacity through technological advances. Registration interviews are now audio-recorded and saved electronically; laptop computers and remote desktop retrieval improve efficiency and access to information; and fillable forms streamline applications, amendments and renewals for two categories of registrants. These improvements were further enhanced through revised interview procedures and scripts, and a new process for supplier investigation prioritization and tracking.



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Search: **siteholders**

### Registration Overview

AS OF MARCH 31, 2009

MLC new applicant employee registrations	458
MLC employee renewals	1,734
Aseneskak Casino new applicant employee registrations	86
Aseneskak Casino employee renewals	88
South Beach Casino new applicant employee registrations	285
South Beach Casino employee renewals	151
Current gaming suppliers	49
VLT siteholder registrations	516

## TECHNICAL INTEGRITY

This department ensures that all lottery schemes conducted and managed by MLC and licence holders have technical integrity. An unfamiliar term to the layperson, technical integrity is an important regulatory concept used to confirm that a gaming event or equipment performs in a manner such that the scheme is fair, honest, safe, secure and capable of being audited.

Within the scope of Manitoba's gaming environment, technical integrity must be confirmed for such diverse activities as charitable raffle and bingo events, gaming at MLC and First Nations casinos and VLT operations throughout the province. Department staff work closely with MLC, First Nations casino operators, equipment suppliers and independent testing laboratories to ensure that technical integrity standards are met and compliance is maintained. This includes issuing approvals for all gaming equipment in the province and for the manner in which the events are conducted, and issuing registrations for all gaming devices in the province, including VLTs, slot machines, lottery ticket terminals, miscellaneous electronic machines and gaming tables. Work also includes approving casino gaming supplies, table game supplies and rules for play, bingo paper and breakopen tickets, and setting the terms and conditions for the conduct of licensed events in conjunction with the Licensing Department.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)  
Search: **Integrity**

In 2008/09, department members were involved in several large-scale equipment replacements and introductions. Aseneskak Casino and MLC both replaced their central slot machine systems and MLC completed its conversion of electronic bingo devices and introduced several new slot machines with progressive prizes. South Beach Casino introduced additional functionality to its central system and expanded its slot machine number to 600. As a result of these changes, the Technical Integrity Department approved the replacement and upgrading of more than one third of MLC slot machines and games and revised slot tournament rules and regulations. Also, new and replacement product continued to be approved for bingo paper, breakopen tickets and value chips, including the introduction of tiered bingo at the Casinos of Winnipeg. Collaborative work and communication with regulatory bodies from across North America allows department staff to keep ahead of new and emerging game technologies.

The department regularly inspects Manitoba casinos to confirm compliance with technical integrity terms and conditions; ten such inspections were conducted in 2008/09. Department staff also responded to issues related to integrity of gaming product and provided technical support in patron disputes. Internally, the department developed and revised numerous terms and conditions, standards and quality assurance tests associated with different gaming schemes, and developed protocols that allow other departments' staff to access technical integrity approval information. As well, the department worked collaboratively with the Compliance Department to finalize the comprehensive casino inspection process and to develop interdepartmental procedures for continuity of evidence and investigative standards.

Finally, as part of the MGCC's focus on financial sustainability, this department participated in establishing a new Gaming Device and VLT Registration Fee Collection Policy that clarifies the schedule for fee collection and simplifies internal accounting. The policy restructures fee collection so that fees are now charged per fiscal year, rather than for the calendar year.

## Technical Integrity Overview

AS OF MARCH 31, 2009

### Technical Integrity Approvals and Amendments

New slot machine models	12
Software and hardware associated with gaming devices and VLTs	306
Table games and associated equipment	49
Table game rules of play and tournament rules and regulations	21
Breakopen ticket games	13
Bingo paper and products	45

### Interim Technical Integrity Approvals

Electronic equipment	0
Table games	18
Bingo and breakopen products	18

Within the scope of Manitoba's gaming environment technical integrity must be confirmed for such diverse activities as charitable raffle and bingo events gaming at MLC and First Nations casinos and VLT operations throughout the province.

# The Ultimate Freeze Out Texas Hold'em Poker Tournament

There is no question, eyebrows were raised in the MGCC's Licensing Department when a Brandon charity, the United Commercial Travellers, applied to conduct a Texas Hold'em poker tournament to be held outdoors... in January. Proposed for a time of year when the average temperature in Brandon hovers around -20°C, the service organization was seeking to raise money for various charities throughout Manitoba and to claim the title of World's Coldest Poker Event.

Beginning with a few exploratory phone calls to one of the MGCC's licensing officers, the event organizer was guided through the application process and a tournament licence for the Ultimate Freeze Out was granted for January 25, 2009. Registration began in mid-December and event spaces filled up quickly: 104 hardy Manitobans were prepared to play for a good cause and bragging rights, regardless of their ranking at the end of the day. Further raising the profile of this event, it was broadcast live on Westman Media, cable channel 12, and several celebrity poker players from the Canada Poker Tour participated in the tournament.

## RULES OF PLAY

Texas Hold'em poker tournament licence holders are required to set rules based on the MGCC's standard rules of play. These rules formalize the details of the event's conduct and management, including dealer and player responsibilities, starting chip amounts, timing of colour-up exchanges for chips of higher value, betting limits, tournament length and order of finish ranking. Not surprisingly, the Ultimate Freeze Out tournament rules included a few unique requirements in anticipation of extreme weather conditions and the risk of frost bite:

**Rule #11** Dress as warm as you like but heating devices of any kind are not permitted!

**Rule #45** ...all players must sign a waiver form prior to playing in the tournament.

## THE EVENT

On the day of the event, Environment Canada reported a mid-day high of -25°C, with a wind chill bringing the temperature at noon to -38°C. But the frosty winter weather did not deter the players, interested observers, local media and an MGCC inspector; the tournament kicked off shortly after noon in the parking lot of Brandon's Crystal Hotel. The inspector reported that the event went very well, and at the end of the eight-hour-and-one-minute tournament, a resident of nearby Carberry was declared the winner, awarded \$3,640 in winnings and named the Ultimate Survivor. In total, the tournament awarded eight players nearly \$7,500 in prize money.

Through the efforts of the United Commercial Travellers and support from the site host, the Crystal Hotel, \$3,000 was raised for various charities throughout Manitoba.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)  
Search: **texas hold'em**

## An Inspector's Observations on Sub-Zero Poker Events

Having authorized the licensing of these popular tournaments the previous year, the MGCC had already laid the regulatory foundation by establishing eligibility criteria, standard rules of play, licence terms and conditions and the inspection protocol to confirm game integrity. Still, it was quickly recognized that the extreme cold weather would be the primary obstacle to conducting a fair event. As such, event organizers and MGCC staff paid special attention to certain aspects of event preparation and play to ensure fairness and game integrity. The MGCC inspector who attended the event made the following observations:

- Due to extreme cold and wind, dealers' hands became cold and they found it hard to deal the cards. As a result, several misdeals occurred throughout the day. Organizers and players accepted these occurrences as part of the challenges of the day and there were no disputes.
- The normal size dealer buttons were too small to pick up with mittens on, and so organizers used hockey pucks, featuring the sponsors' logos as dealer buttons instead.
- Dealers changed frequently as a result of the cold.
- Players were required to leave their cards on the table during play and could not put the cards inside their mittens.
- It's hard to turn over cards with mittens on. As a result, players often bent cards while trying to turn them over to view them and the decks of cards had to be changed out about once every hour.
- The event was held on an icy parking lot with a slope to it. Players had to dig the feet of their chairs into the ice to prevent sliding away from the tables.
- Player preparation added to the success of this tournament. Others considering this kind of tournament are advised to dress very warmly.

Event organizers and MGCC staff paid special attention to certain aspects of event preparation and play to ensure fairness and game integrity.

# Gaming Compliance

## Audit • Compliance • Regulatory Affairs

Having set the terms and conditions of licences, registrations and technical integrity approvals, the MGCC then verifies ongoing compliance with these commitments by casino operators, charitable licence holders, VLT siteholders and First Nations gaming commissions. The departments within this unit oversee and confirm compliance with The Gaming Control Act and Regulation, terms and conditions, standards and other enabling instruments and requirements established to ensure the integrity of gaming in Manitoba. Briefly, these departments accomplish this by:

- Assuring that the financial reports and audited statements of licensed organizations; First Nations VLT siteholders, casinos and gaming commissions; and other licensing authorities are appropriate, accurate and accountable;
- Conducting inspections and investigations to confirm that gaming activities are conducted and managed in accordance with Manitoba's legislative and regulatory regime; and
- Providing advice, guidance and training to internal and external stakeholders on gaming legislation and regulation; investigation and inspection processes; and regulatory standards and practices.

While maintaining traditional regulatory principles of inspections, investigations and audit testing, the Gaming Compliance Unit is focusing on providing compliance services as a valuable resource for licence holders and registrants. Unit staff also contribute to the larger regulatory community through involvement with the Criminal Intelligence Service of Manitoba, the Manitoba Council of Administrative Tribunals, the Manitoba Association of Chiefs of Police, the Canadian and North American Gaming Regulators Associations, and the Midwest Gaming Investigators and Regulators.

Seeking to build stakeholder capacity and strength as a regulatory tool, the unit has continued to build stronger working relationships with clients and stakeholders through enhanced communication and by offering training and support for skills development. The MGCC opened its first northern office in The Pas in 2008/09 as part of this focus on improving communication and expanding access to client services. During 2008/09, these efforts translated into 100% compliance with financial accountability reporting by Manitoba licensing authorities and First Nations VLT siteholders; as well as fewer audit and inspection referrals for follow-up and formal investigation.

The following narrative highlights the Gaming Compliance Unit's key initiatives and programs.

Charitable Gambling 2008/09 (\$Millions)

Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08
Bingo	289	304	\$44.2	\$45.2	\$34.2	\$35.3	\$4.8	\$4.8	\$5.2	\$5.1
Breakopen	234	260	4.7	4.7	3.4	3.4	0.4	0.4	0.9	0.9
Raffle	227	211	16.6	11.9	6.2	4.6	2.9	2.6	7.5	4.7
Texas Hold'em	71	64	1.3	0.5	0.9	0.3	0.2	0.1	0.2	0.1
Media Bingo	24	12	4.1	3.8	1.9	1.9	0.5	0.6	1.7	1.3
Other	10	24	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Totals</b>	<b>855</b>	<b>875</b>	<b>\$ 71.0</b>	<b>\$ 66.2</b>	<b>\$ 46.7</b>	<b>\$ 45.6</b>	<b>\$ 8.8</b>	<b>\$ 8.5</b>	<b>\$ 15.5</b>	<b>\$ 12.1</b>

In addition, 544 licences were issued to organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (113 bingo, 32 breakopen, 383 raffle, 2 media bingo and 14 other) and are therefore not reflected in the above chart.

## AUDIT

This department's primary focus is to provide reasonable assurance that reporting and record keeping practices comply with audit standards, legislation and regulation. To accomplish this, the members of the department work with charitable organizations, First Nations and municipal licensing authorities to receive, review and analyze their financial reports and supporting documents. During 2008/09, a continued emphasis on building relationships with clients led to improved compliance with financial reporting requirements, fewer reporting errors, more prompt report submissions and fewer investigation referrals to the Compliance Department. The department anticipates that referrals will actually increase in the coming year, as new audit standards and practices are implemented.

Concentrating on communication, information sharing and training as a means to improve record keeping and financial accountability, the members of the department continued to work collaboratively and cooperatively with clients. This approach contributed to the second straight year where this department received 100% of the required annual financial reports from First Nations gaming commissions, First Nations VLT siteholders and Manitoba municipalities. The department has identified several measures for continuous improvement to reporting agencies' accounting procedures and record keeping practices and will work with clients in 2009/10 to implement these recommendations.

### A Brief Review of Audit Activities

In addition to examining 2,686 financial reports, the Audit Department reviewed the financial statements of the Aseneskak and South Beach casinos, provided 138 client training sessions and conducted annual audit reviews of 115 charitable licence holders, 23 First Nations gaming commissions, 32 First Nations VLT siteholders and 148 municipalities.

Department staff continued to promote the use of the electronic reporting tool, which was introduced in 2007/08, as part of ongoing efforts to provide charitable licence holders with resources to simplify reporting. The tool allows licence holders to submit their financial reports via email using a Microsoft Excel spreadsheet that can be imported directly into the MGCC's Gaming Management System. Use of the electronic reporting tool increased by 70% over the previous year, with eighty-five (85) organizations now using this reporting option. In 2008/09, the MGCC introduced online licence fee payments as a natural extension to this online reporting option. The MGCC expects public demand for technology-based services to increase as licence holders and registrants become more comfortable with new technologies. In 2008/09, the department considered this growing client need as it began an examination of internal practices and policies for all primary audit activities. The department will continue to refine and formalize standards and procedures in 2009/10.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)

Search: **financial reporting**

## COMPLIANCE

The MGCC's approach to assuring compliance with Manitoba's regulatory framework is best described as escalating and pragmatic. Beginning with communication and training, through to inspections and finally to investigation if required, the members of this department apply compliance standards based on the MGCC's legislative and regulatory mandate, including the Criminal Code (Canada), The Gaming Control Act and the terms and conditions of licences and registrations. Ultimately, the members of this department work to ensure the honesty and integrity of gaming activities is respected and upheld.

Considering first the practice of providing formal client-focused training and education as a strong regulatory tool, department members delivered 371 sessions to licence holders and First Nations gaming commission members on diverse topics such as reporting requirements, terms and conditions and standard rules of play. As mentioned previously, a compliance officer was stationed at the MGCC's new office in the The Pas in 2008/09, which provides the MGCC's northern clients with more consistent access to support and training.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)  
Search: **inspections**

This department conducts formal inspections to verify compliance with established standards and to identify irregularities requiring follow-up via formal investigation. In keeping with past years' practice, the department continued to increase the frequency of inspections, including spot inspections, with 31% more inspections conducted over the previous year. The number of annual inspections is expected to increase as the MGCC continues to strengthen both the public's awareness of the importance of gaming control and regulation and the MGCC's role in this regard. Interestingly, only six percent (6%) of inspections resulted in further action by way of a written or verbal warning or corrective training, which is evidence of a high rate of compliance with Manitoba's regulatory framework.

Investigations are conducted when irregularities and contraventions are identified during the course of an inspection, as a result of stakeholder or public complaints, and as follow-up on internal referrals. During 2008/09, the department responded to 257 complaints, approximately 25% of which resulted in formal investigations. Approximately 30% of the 60 full investigations conducted by department staff resulted in disciplinary action, including verbal and written warnings, one formal order by the Executive Director and, in two instances, referral to police. The disposition of the charges laid in 2007 related to a joint illegal gambling investigation with Winnipeg Police Service was pending at year end; the MGCC anticipates that this matter will be concluded in 2009.

### First Nations Gaming Commission Compliance

AS OF MARCH 31, 2009

Gaming commissions were compliant	25
Gaming commissions were non-compliant	0
Gaming commissions were not functioning (e.g., no board or staff in place)	6
Gaming commission was suspended	1
<b>Total</b>	<b>32</b>

## REGULATORY AFFAIRS

While housed within the Gaming Compliance Unit, this department supports regulatory activities throughout the MGCC by providing advice, guidance and training to internal and external stakeholders on gaming legislation and regulation, investigation and inspection processes and regulatory standards. As such, this department is at the forefront of specialized training and new programs that further the MGCC's legislative mandate and operational goals.

During 2008/09, the MGCC worked closely with Manitoba's four casino operations to refine and implement new training and procedures within the context of the formal casino inspection program. These efforts resulted in improved communication between casino operators and the MGCC, particularly with respect to game protection standards and intelligence sharing. Close working relationships with casino management led the MGCC to augment its casino game protection training to respond to the distinct operational decisions and changes implemented at each casino. Quality control procedures for new inventory, primarily playing cards, also were developed in conjunction with casino management.

Internally, collaborative work between this department and the Compliance Department led to the completion in 2008/09 of casino inspection program standards, which empower inspectors to monitor, assess and follow up on events consequential to regulatory oversight. Also this year, after three years of best practice assessment, development and refinement, the casino inspection program became fully operational and was fully transferred to the Compliance Department. Specific inspection modules were developed to facilitate consistent and comprehensive inspections of traditional and non-traditional areas of regulatory oversight, including responsible gambling, table games, electronic gaming devices, consequential event reporting and security and surveillance.

Recognizing that education and resource materials are key for consistent and comprehensive regulatory services, this department developed and coordinated a series of unique training programs in 2008/09. Programs focused on business practice improvements, internal operations and security, and included:

- Continued support of and involvement with the Positive Lifestyle Program. The program was developed by the Salvation Army as part of the court-ordered dispositions related to charges resulting from the joint Winnipeg Police Service and MGCC investigation into illegal gaming activity in 2007
- Sponsorship and coordination of a specialized training program on the risks and challenges of the Internet and illegal gambling, in conjunction with the Washington State Gambling Commission and the US Secret Service. Representatives from various law enforcement and regulatory agencies attended this program, including the Royal Canadian Mounted Police, Winnipeg Police Service, Canada Revenue Agency, Manitoba Justice and regulators representing the State of Minnesota
- Development and implementation of comprehensive training and resource material on each department's role and responsibilities under the MGCC's legislated hearing processes. Employees from all units and departments participated in this corporate training initiative, which included information on investigations, securing of evidence, executive orders and preparation for testimony

In addition to these programs, this department organized internal crisis communication training for 20 MGCC employees to prepare staff in the event of extraordinary circumstances of stress and emergency. The training was provided by the Winnipeg Police Service, who used a combination of lectures, role play and situational discussions to help employees recognize and respond appropriately and safely in crisis situations.

# Research and Communications

## Communications • Human Resources • Research

This department provides research, communications, planning and human resources services to meet and support the MGCC's legislative mandate and operational activities. While fulfilling responsibilities for media, public relations and policy research and advice, department staff have also advanced the MGCC's regulatory scope to include public education, oversight for responsible gambling and groundbreaking research.

### COMMUNICATIONS

Traditional corporate communication functions included media relations, preparation of the annual report, development of a corporate style guide, internal and external corporate branding initiatives and advisory work on behalf of the Minister and the Board of Commissioners. In 2008/09, a major collaborative MGCC-wide project to enhance the MGCC's online presence resulted in a new and expanded website, published in November 2008. Designed to be client-focused and simple to navigate, the website facilitates access to information on a range of gaming topics of interest to Manitobans including: current licensed events; the Criminal Code (Canada) and provincial legislation; eligibility requirements; operational mandate and services; and inspections and investigations. Perhaps the most public example of the department's work in 2008/09 was the development and launch of its second responsible gambling campaign, which encouraged Manitobans to set and stick to affordable spending limits when they gamble. The campaign's background and messaging are featured in a special section of this report, beginning on page 30.

In conjunction with the operational and corporate services departments, this department manages corporate responsibilities for the Freedom of Information and Protection of Privacy Act, records management and French Language Services. Similarly, corporate planning, accountability and reporting responsibilities are also coordinated through this department, in collaboration with all units and the chief operating officer.

### HUMAN RESOURCES

The profile of the human resources function within the MGCC continues to rise in anticipation of retirements and the need to ensure a successful transition of knowledge and expertise to younger employees. Succession planning has been identified as a key strategic goal during the next three to five years, as highlighted in the new strategic plan. In 2008/09, a foundation for succession planning was laid through: the refinement of formal performance assessment templates for all managers and staff; increased opportunities for professional development through formal and informal training and mentoring; job shadowing and acting status opportunities; documentation of policies and procedures to formalize knowledge transfer; and fostering a more representative workplace, as demonstrated in the chart below. In addition to the conventional services of recruitment, labour relations, policy development and advice and support to the Board of Commissioners, management and staff, the human resources services will continue to evolve to meet strategic goals and operational regulatory obligations.

## Employment Equity Representation

AS OF MARCH 31

	Males		Females		Aboriginals		Visible Minorities		Persons with Disabilities	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
MGCC Totals	25	25	27	26	7	6	4	3	5	4
	48%	49%	52%	51%	14%	12%	8%	6%	10%	8%
Provincial Targets					14%		8%		7%	

## RESEARCH

As mandated by The Gaming Control Act, a key function of this department is to conduct valid and reliable research to inform operational, policy advisory and public interest activities. The department combines academic standards with its regulatory perspective to conduct and support research relevant to Manitoba's gaming environment.

The launch of a graduate studentship program in September 2008 was a significant achievement for the department. This ongoing initiative provides financial support of up to \$10,000 to masters and doctoral students at Manitoba universities. As the only gambling-related scholarship program in the province, the graduate studentship illustrates the MGCC's keen commitment to building research capacity and improving knowledge about gambling.

The graduate studentship program is just one example of the MGCC's collaborative work with provincial, national and international stakeholders, including academics. In 2008/09, the MGCC also developed research connections by initiating a collaborative analysis of Manitobans' motives for gambling with a professor from the University of Manitoba's Department of Psychology.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)

Search: **studentship**

The MGCC publishes a robust research agenda on an annual basis to ensure that research plans are aligned with regulatory priorities and mandates. The following chart provides a brief status report for the MGCC's major 2008/09 independent and collaborative research projects.

The launch of a graduate studentship program in September 2008 was a significant achievement for the Research Department.

## Research Status Report

AS OF MARCH 31, 2009

Research Project	Timeline	Start Date	Collaborative Initiative	Independent Initiative	Status
Refining the Canadian Problem Gambling Index (CPGI)	Year 2 of 4	05/2007	•		Research prioritization complete; expert panel members selected to oversee refinement initiatives.
Development of the Canadian Adolescent Gambling Inventory (CAGI)	Year 6 of 7	12/2003	•		Instrument development complete; Phase III underway to further validate the instrument.
Advancing the Social and Economic Impact of Gambling (SEIG) Framework	Year 1 of 2	12/2008	•		Researchers selected to analyze the causality research and data required to sustain the SEIG Framework.
Assessing the Social and Economic Impact of First Nations Casinos	Year 1 of 3	05/2008		•	Phase I underway to analyze existing quantitative data; research organization selected in March 2009.
Manitoba Longitudinal Study of Young Adults	Year 4 of 7	03/2005	•		Completed recruitment and first cycle of data collection in summer 2008; second cycle of data collection began in fall 2008.
Motives for Gambling in Manitoba	Year 1 of 2	01/2009	•		Data collected as part of the MGCC's public education campaign evaluation; research plan finalized in March 2009.
Public Education Campaign Evaluation	Year 1 of 2	11/2008		•	Completed data collection in February 2009; final report to be published in June 2009.

## Busted! Moving Forward in Responsible Gambling Education

The MGCC launched a new province-wide public education campaign in November 2008. The campaign encourages Manitobans to set spending limits when they gamble and teaches that the best strategy is to gamble only with money they can afford to lose.

The limit-setting campaign builds on the messaging of the MGCC's award-winning earlier campaign that busted myths about gambling-related odds and randomness. When campaign evaluation research revealed decreasing belief in these common myths, but did not reveal corresponding improvements in responsible gambling behaviours, the MGCC initiated research to explore this puzzling disconnect. This research indicated that more than one-third of Manitobans who gambled never consciously limited the amount of money or time spent gambling, and that Manitobans could benefit from messaging that would target gambling behaviour more directly.

Like the myth-busting campaign, the new campaign appeared for all Manitobans in print, radio and public space media across the province.

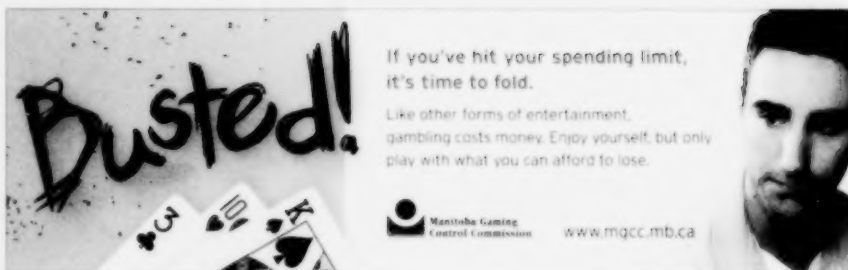
Shortly after the campaign's launch, the MGCC began to receive positive feedback from peers and stakeholders. In January 2009, the MGCC formally evaluated the campaign in keeping with its commitment to using research to refine its responsible gambling initiatives. Results from the province-wide campaign evaluation showed a 12 percent increase since 2007 in the number of Manitobans who always set a limit when they gamble. The results also showed that more Manitobans are experimenting with limit-setting than prior to the launch of this campaign. The majority of Manitobans who recalled having seen or heard the campaign were positive about its effectiveness.

The MGCC will run this campaign again in 2009 based on these promising research results, illustrating the synergy between the MGCC's research and responsible gambling initiatives. This relationship is broader than a direct link between public education campaigns and their evaluations. Other research projects, such as the Manitobans and Gambling series and the Manitoba Longitudinal Study of Young Adults, raise new issues and contribute to ensuring that the MGCC's initiatives remain relevant and valuable for Manitobans.



Find out more @ [www.mgcc.mb.ca](http://www.mgcc.mb.ca)


Search: **public education**



# Busted!

If you've hit your spending limit,  
it's time to fold.

Like other forms of entertainment,  
gambling costs money. Enjoy yourself, but only  
play with what you can afford to lose.

 Manitoba Gaming  
Control Commission [www.mgcc.mb.ca](http://www.mgcc.mb.ca)



# Dab Nag it!

If you've hit your spending limit,  
it's time to put the dabber down.

Like other forms of entertainment,  
gambling costs money. Enjoy yourself,  
but only play with what you can afford to lose.

 Manitoba Gaming  
Control Commission [www.mgcc.mb.ca](http://www.mgcc.mb.ca)



# Game Over!

If you've hit your spending limit,  
it's time to step away.

Like other forms of entertainment,  
gambling costs money. Enjoy yourself,  
but only play with what you can afford to lose.

 Manitoba Gaming  
Control Commission [www.mgcc.mb.ca](http://www.mgcc.mb.ca)



# Oh Craps!

If you've hit your  
spending limit, it's time  
to stop rolling.

Like other forms of entertainment,  
gambling costs money. Enjoy yourself,  
but only play with what you can  
afford to lose.

 Manitoba Gaming  
Control Commission [www.mgcc.mb.ca](http://www.mgcc.mb.ca)

## Corporate Services

### Information Technology • Finance

These departments provide core administrative and management functions and technological resources to support corporate and operational activities.

#### INFORMATION TECHNOLOGY

This department provides network security, website development, software applications, customized software development and technical communication support for all MGCC staff. This includes the key responsibility for the development and ongoing support of the Gaming Management System, the MGCC's primary and customized data management system. During 2008/09, the system development team began redesigning the application and added functionality for end-users across departments.

The Information Technology Department's other key projects in 2008/09 included systems development at the MGCC's disaster recovery office and expansion of remote user access to ensure continued operations in the event of an emergency or work disruption. The department also provided technical expertise and guidance that laid the foundation for the design and maintenance of MGCC's new client-focused website, which was launched in November.

Several hardware upgrades, including installation of a new server, were also completed during the year to enhance systems power, maintain security and improve network performance. As well, system-wide and desktop software program additions and upgrades improved trouble-shooting, system functionality, client service and employee productivity. The department also developed and introduced new user-friendly fillable forms as part of the website renewal project.

#### FINANCE

The operations and activities of the Finance Department are critical to the day-to-day and long-term operations of the MGCC. Responsible for all aspects of financial management, this department supports corporate and operational functions by planning, managing, analyzing and reporting all financial transactions. In 2008/09, this included preparation of the annual budget as part of the MGCC's business planning cycle and oversight and management of revenues, expenses, investment practices and capital assets. Monthly financial statements and related variance analyses were prepared and submitted to management for review; quarterly financial statements were prepared and submitted to the Board of Commissioners. The annual financial statements are published in this report beginning on the next page. Based on its annual financial attest audit, the Office of the Auditor General of Manitoba issued a clear audit opinion for the year ended March 31, 2009.

Property management and maintenance also fall under the oversight of the Finance Department. Key accomplishments for these accountabilities included renovations to upgrade work and common spaces and to improve security and manage access to MGCC's main office in Winnipeg. This department also coordinated the establishment of a new office in The Pas and oversight for landlord maintenance and improvements.

#### Preparing for New International Financial Reporting Standards

New accounting principles are being introduced in 2011 to standardize financial reporting around the world. While the MGCC has always followed the commonly used Generally Accepted Accounting Principles, international application of these measures will bring consistency to the preparation, reporting, review and understanding of financial information prepared by public and private sector entities. The MGCC does not anticipate significant changes in our approach to financial management and reporting; however, work has begun to integrate the new standards with our current accountability and transparency practices.

# Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009

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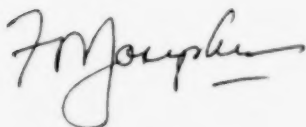


# Management Report

The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.



**F. J. O. (Rick) Josephson**  
EXECUTIVE DIRECTOR



**Dale Fuga**  
CHIEF OPERATING OFFICER

May 25, 2009



OFFICE OF THE  
AUDITOR GENERAL  
MANITOBA

## AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2009, and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

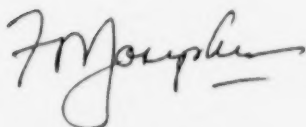
Office of the Auditor General

Winnipeg, Manitoba  
May 25, 2009

# Management's Certification of Compliance

To: Board of Commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2009, the Manitoba Gaming Control Commission has complied with the criteria established by the provisions of The Gaming Control Act, Regulations, Orders in Council and other applicable legislation as outlined in the attached Schedule.



**F. J. O. (Rick) Josephson**  
EXECUTIVE DIRECTOR



**Dale Fuga**  
CHIEF OPERATING OFFICER

May 25, 2009

# Schedule of Legislative and Related Authorities

## ORDERS IN COUNCIL

- 10/2003 Appointment of OAG as auditor of MGCC
- 446/2003 Commissioner reappointments to the MGCC Board
- 320/2007 Appointment of Executive Director
- 341/1997 Working capital advances

## THE GAMING CONTROL ACT (C.C.S.M. C. G5)

### Subsections

- |                                      |   |
|--------------------------------------|---|
| s.3(1) The Gaming Control Commission | s.55(8) Investments held in trust   |
| s.5(1) Annual reports                | s.55(9) Fiscal year   |
| s.6(1) Executive Director            | s.55(10) Records and accounts   |
| s.12(3) License Fees                 | s.55(11) Annual budget  |
| s.14(5) Costs – Registration         | s.55(12) Auditor  |
| s.17(1) Registration Fees            | s.55(13) Disposition of surplus money   |
| s.17(2) Content of fee regulation    | s.56(2) Powers of Commission respecting property  |
| s.28(4) Costs – Technical Integrity  | s.59(e) Regulations by Lieutenant Governor in Council – Commission members remuneration |
| s.55(1) Banking                      | s.59(è.1) Regulations by Lieutenant Governor in Council – Fiscal Year                   |
| s.55(2) General fund                 | s.60(1)(d) Regulations by Commission – prescribing of fees                              |
| s.55(3) Deposit of monies            | s.60(1)(d.1) Regulations by Commission – remittance of fees                             |
| s.55(4) Operating expenses           |   |
| s.55(5) Advances for working capital |   |
| s.55(6) Payment of advances          |   |
| s.55(7) Investments                  |   |

## THE GAMING CONTROL REGULATION (41/2005)

- Section 12 Payment of annual fee
- Section 20(1) to 20(4) License fees and when payable
- Section 21(1) to 21(3) Registration fees including Schedule (section 21)
- Section 22 Payment of fees
- Section 23 Reduction on application

## THE GAMING CONTROL REGULATION (41/2005) AMENDMENTS

- #112/2008 Registration fee change to Schedule (section 21)

## THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT (C.C.S.M. C. P265)

- s.2(1) Disclosure required
- s.2(2) Consistent reporting required
- s.3(1) Manner of disclosure
- s.3(2) Names and positions or classifications to be disclosed



## AUDITORS' REPORT ON COMPLIANCE

To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the Manitoba Gaming Control Commission's compliance for the year ended March 31, 2009, with the provisions of the legislative and related authorities outlined in Management's Certification of Compliance pertaining to its financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses, and trust activities.

Compliance with the legislative and related authorities is the responsibility of the management of the Manitoba Gaming Control Commission. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstance.

In our opinion, the Manitoba Gaming Control Commission has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2009.

Office of the Auditor General

Winnipeg, Manitoba  
May 25, 2009

## Balance Sheet

MARCH 31	2009	2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 50,301	\$ 100,014
Short term investments	1,126,515	3,060,754
Accounts receivable (Note 5)	60,221	33,134
Prepaid expenses	30,923	29,279
Receivable – Province of Manitoba	0	146,079
	1,267,960	3,369,260
<b>Long Term Investment</b> (Note 8)	146,079	0
<b>Capital Assets</b> (Note 6)	385,460	389,452
	\$ 1,799,499	\$ 3,758,712
<b>LIABILITIES AND SURPLUS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 547,783	\$ 460,075
Deferred revenue (Note 7)	0	1,922,525
	547,783	2,382,600
<b>Provision for employee severance benefits</b> (Note 8)	538,793	487,562
<b>Provision for employee pension benefits</b> (Note 12)	52,751	45,401
	1,139,327	2,915,563
<b>Surplus</b>	660,172	843,149
	\$ 1,799,499	\$ 3,758,712

On behalf of the Board:



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements.

## Statement of Operations and Surplus

FOR THE YEAR ENDED MARCH 31	2009	2008
<b>Revenue</b>		
Registration fees	\$ 3,825,776	\$ 3,551,045
License fees	994,036	923,627
	<b>4,819,812</b>	<b>4,474,672</b>
<b>Expenses</b>		
Salaries and benefits	3,596,806	3,734,705
Rent	279,133	264,989
Legal and professional fees	169,573	159,523
Transportation	155,092	133,100
Public Education	145,833	91,136
Commission Board	123,245	49,183
Supplies and services	118,571	102,592
Communications	115,637	102,705
Education, training, and conference	97,515	100,186
First Nations legal and professional	92,000	51,166
Amortization	83,873	103,866
Accommodations	54,120	35,085
HR/Systems support	21,728	26,276
Other expenses	15,905	11,894
	<b>5,069,031</b>	<b>4,966,406</b>
<b>Income (loss) before other items</b>	<b>(249,219)</b>	<b>(491,734)</b>
<b>Other Items</b>		
Interest income	40,002	70,986
Other income	26,240	31,514
	<b>66,242</b>	<b>102,500</b>
<b>Excess revenue (expenses) and comprehensive income (loss)</b>	<b>(182,977)</b>	<b>(389,234)</b>
<b>Surplus, beginning of year</b>	<b>843,149</b>	<b>1,232,383</b>
<b>Surplus, end of year</b>	<b>\$ 660,172</b>	<b>\$ 843,149</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31	2009	2008
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenses	\$ (182,977)	\$ (389,234)
Items not involving cash		
Amortization of capital assets	83,873	103,866
Amortization of capital assets related to the Commission Board	1,615	2,001
	(97,489)	(283,367)
Changes in non cash working capital balances		
Accounts receivable	(27,087)	5,853
Prepaid expenses	(1,644)	(1,998)
Accounts payable and accrued liabilities	87,708	(61,737)
Deferred revenue	(1,922,525)	7,134
Deferred lease inducements	0	(6,125)
Provision for employee severance benefits	51,231	319,823
Provision for employee pension benefits	7,350	(16,237)
	(1,902,456)	(36,654)
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(81,496)	(79,126)
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(1,983,952)</b>	<b>(115,780)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,160,768</b>	<b>3,276,548</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,176,816</b>	<b>\$ 3,160,768</b>
<b>Represented by</b>		
Cash	\$ 50,301	\$ 100,014
Short-term investments	1,126,515	3,060,754
	\$ 1,176,816	\$ 3,160,768

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009

## 1 Nature of Business

The Manitoba Gaming Control Commission (MGCC) was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

## 2 Change in Accounting Policies.

Effective April 1, 2008, the MGCC adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

### SECTION 1535 CAPITAL DISCLOSURE

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See Note 3e)

### SECTION 3862 FINANCIAL INSTRUMENTS – DISCLOSURE

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosures and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

### SECTION 3863 FINANCIAL INSTRUMENTS – PRESENTATION

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the MGCC's year-end financial statements.

## 3 Significant Accounting Policies

### A. GENERAL

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

### B. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### C. CAPITAL ASSETS

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (82 months)

### D. REVENUE RECOGNITION

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

### E. CAPITAL DISCLOSURES

In the context of the MGCC, capital is defined as the surplus of the MGCC. Externally-imposed capital requirements relate to the administration of the MGCC in accordance with The Gaming Control Act and accompanying regulations. The MGCC has developed appropriate risk management strategies, as described in note 4, to preserve the surplus of the MGCC. The MGCC has complied with externally-imposed capital requirements during the year.

#### 4 Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of MGCC are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and Short Term Investments	Held for trading	Fair value
Long Term Investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and surplus in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and surplus for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in a statement of changes in net assets or other comprehensive income until realized, at which time they recorded in the statement of operations and surplus.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet are as follows:

	2009		2008	
	Carrying Value	Fair Amount	Carrying Value	Fair Amount
<b>Financial Asset/Liability</b>				
Cash and STI	\$ 1,176,816	\$ 1,176,816	\$ 3,160,768	\$ 3,160,768
Accounts receivable	60,221	60,221	33,134	33,134
Long Term Investment	146,079	146,079		
Receivable from the Province of Manitoba			146,079	146,079
Accounts payable	116,062	116,062	51,953	51,953
Accrued liabilities	431,721	431,721	408,122	408,122

The MGCC has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk
- market risk
- interest risk; and
- foreign currency risk

The MGCC manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance in accordance with its risk management framework. The MGCC's Board of Commissioners has overall responsibility for the establishment and oversight of the MGCC's objectives, policies and procedures for measuring, monitoring and managing these risks.

The MGCC has exposure to the following risks associated with its financial instruments. Analysis of sensitivity to specified risks is provided where there may be an effect on the results of operations or financial position. Sensitivity analysis is performed by relating the reasonably possible changes in risk variables as at March 31, 2009 to the financial instruments outstanding on that date.

#### CREDIT RISK

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject MGCC to credit risk consist principally of cash, short term investments and accounts receivable.

The maximum exposure of MGCC to credit risk at March 31, 2009 is:

Cash and Short Term Investments	\$1,176,816
Accounts receivable	60,221
Long Term Investment	146,079
	<u>\$1,383,116</u>

Cash and funds on deposits: MGCC is not exposed to significant credit risk as the cash, short term investments and long term investments are held by the Minister of Finance.

Accounts receivable: MGCC is not exposed to significant credit risk as license and registration fees from charities, Manitoba Lotteries Corporation (MLC), First Nations casinos, and suppliers are typically collected when they are due. Employee advances are collected upon retirement. Other trade receivables are not typical and have been collected subsequent to year end. As such, no specific allowance for doubtful accounts has been created as the potential for any receivable impairment is negligible.

#### LIQUIDITY RISK

Liquidity risk is the risk that MGCC will not be able to meet its financial obligations as they come due.

MGCC manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances if required. MGCC prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. MGCC continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

#### MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect MGCC's income or the fair values of its financial instruments. The significant market risks MGCC is exposed to are: interest rate risk; foreign currency risk; and other price risk.

#### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term investments and long term debt.

The interest rate risk on short term investments is considered to be low because of their short-term nature.

#### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. MGCC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

#### 5 Accounts Receivable

	2009	2008
Charitable Licensees	\$ 1,318	\$ 34
Manitoba Lotteries Corporation	17,450	16,950
First Nations Casinos	3,600	2,100
Employee Advances	9,819	11,917
Supplier Investigations	2,777	2,133
Other trades	25,257	0
	\$ 60,221	\$ 33,134

#### 6 Capital Assets

2009			
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 62,740	\$ 51,282	\$ 11,458
Furniture and fixtures	403,713	226,619	177,094
Computer equipment	994,775	854,486	140,289
Leasehold Improvements	57,318	699	56,619
	\$ 1,518,546	\$ 1,133,086	\$ 385,460

#### 2008

	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 67,270	\$ 56,219	\$ 11,051
Furniture and fixtures	398,712	207,434	191,278
Computer equipment	1,008,612	821,489	187,123
	\$ 1,474,594	\$ 1,085,142	\$ 389,452

## 7 Deferred Revenue

Deferred revenue is no longer recorded as the annual registration fee period for video lottery terminals, lottery ticket terminals, and electronic gaming machines is now April 1 to March 31. MGCC now receives payment for these registration fees in April of each fiscal year. Previously, the annual registration fee period was November to October. Deferred revenue consisted of registration fees received which was recognized as revenue in the year in which the related expenses were incurred.

## 8 Long Term Investment - Provision for Employee Severance Benefits

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. During the last collective bargaining session it was negotiated that effective April 1, 2007 all employees would be eligible for severance pay benefits. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2009.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

An actuarial report was completed for the severance pay liability as of March 31, 2009. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2009 was \$538,793 (2008 - \$487,562). An actuarial gain of \$11,245 will be amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2009 Valuation and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

### Annual rate of return

(i) inflation component	2.50%
(ii) real rate of return	4.00%
	6.50%

### Annual salary escalation rates

(i) general increases	
a) salary increase	2.50%
b) real rate	0.75%
	3.25%

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain of its employees. Effective March 31, 2009 the Province of Manitoba placed the amount of \$146,079 into an interest bearing trust account to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

## 9 Deferred Lease Inducements

The organization received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements were amortized over the term of the lease on a straight line basis as reductions of rental expense. Rental expense has been reduced by \$0 for the period ending March 31, 2009 (\$6,125 in 2008). The inducement has now been fully depleted.

## 10 Commitments

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2010	266,076
2011	272,855
2012	281,329
2013	291,497
2014	291,497

## 11 Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees. The Manitoba Lotteries Corporation is related to the Commission through common ownership by the Province of Manitoba. The registration fees are recorded at the amount prescribed by MGCC regulation.

## 12 Pension Plans

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Commission are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Commission is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Commission has no further pension liability.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$184,790. Contributions for the 2008 year were \$165,865.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the triennial actuarial report of pension obligations as at March 31, 2009, a reserve of \$52,751 has been established as a pension liability for these employees. Actuarial gains and losses are recognized in income immediately. Significant long-term actuarial assumptions used in the March 31, 2008 Valuation and in the determination of the March 31, 2009 present value of the accrued basic pension benefit obligations were:

### Annual rate of return

(iii) inflation component	2.50%
(iv) real rate of return	4.00%
	6.50%

### Annual salary escalation rates

(ii) general increases	
c) salary increase	3.25%
d) productivity component	0.75%
	4.00%

## 13 Working Capital Advance

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the Commission. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2008 \$2,000,000). As at March 31, 2009 \$2,000,000 (2008 \$2,000,000) of these advances were unused and available.

## 14 Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

# Board of Commissioners

**Darlene Dziewit**

CHAIRPERSON

Lorette

**John Collins**

VICE-CHAIRPERSON

Winnipeg

**Shelly Blanco**

COMMISSIONER

Selkirk

**Lucille Cenerini**

COMMISSIONER

St. Boniface

**Joseph Stadnyk**

COMMISSIONER

Brandon



**Manitoba Gaming  
Control Commission**

Additional copies of this report may be obtained from:

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Winnipeg, Manitoba R3C 3P3

T: 204.954.9400, or toll free in Manitoba 1.800.782.0363  
F: 204.954.9450, or toll free in Manitoba 1.866.999.6688  
E: [information@mgcc.mb.ca](mailto:information@mgcc.mb.ca)  
W: [www.mgcc.mb.ca](http://www.mgcc.mb.ca)

This report is also available on the Manitoba Gaming Control Commission's website at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

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